

FISCAL NOTE

Bill #: HB0386

Title: Phased 20% reduction in income taxes

Primary

Sponsor: Rick Jore

Status: 2nd reading, as amended by House

Sponsor signature

Date

Dave Lewis, Budget Director

Date

Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:		
General Fund	\$12,000	\$0
Revenue:		
General Fund	(\$12,440,000)	(\$12,440,000)
Net Impact on General Fund Balance:	(\$12,452,000)	(\$12,440,000)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
X		Significant Local Gov. Impact	X		Technical Concerns
X		Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. This bill is effective on passage and approval, and applies to tax years beginning after December 31, 1998.
2. There is no impact in FY1999 under this proposal.
3. Calendar year liability under current law is \$402.840 million in CY1999; \$411.186 million in CY2000; and \$422.026 million in CY2001 (HJR2).
4. Under the proposal, taxpayers would be allowed to take a refundable credit against individual income taxes equal to 4% of their residential property tax paid. Property taxes on all residential property total \$311 million per year. This results in a reduction in individual income tax liability of \$12,440,000 per year.

Administrative Impacts:

5. This proposal requires the re-programming of the individual income system. Costs associated with this re-programming are estimated to be \$12,000 in FY2000.

(continued)

FISCAL IMPACT:

	<u>FY2000</u> <u>Difference</u>	<u>FY2001</u> <u>Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$12,000	\$0
<u>Funding:</u>		
General Fund (01)	\$12,000	\$0
<u>Revenues:</u>		
General Fund (01)	(\$12,440,000)	(\$12,440,000)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	(\$12,452,000)	(\$12,440,000)

LONG-RANGE IMPACTS:

This proposal will continue to reduce individual income tax collections by approximately \$12.5 million per year in all future years. To the extent that residential property taxes increase in future years, this impact also will increase.

TECHNICAL NOTES:

1. There is nothing to preclude an eligible elderly taxpayer from obtaining a credit equal to 100% of total property taxes under the current law 2EC program, and then obtaining an additional 4% credit provided by this proposal. In effect, some elderly taxpayers would be able to (1) deduct property taxes in full, (2) obtain 100% credit under the 2EC program, and then (3) obtain an additional 4% credit under this proposal.